UNDERSTANDING
Sewer Rates

OUCC fast facts

learn more!

Indiana Office of Utility Consumer Counselor
100 N. Senate Av., Room N501 • Indianapolis, IN 46204-2215
www.IN.gov/OUCC • toll-free: 1-888-441-2494 • voice/TDD: 317-232-2494 • fax: 317-232-5923

Hundreds of wastewater utilities serve consumers throughout Indiana. While many of these utilities are operated by municipal governments, others may be operated by other governmental units (such as conservancy districts and regional sewer districts) or by private companies or investors.

Under Indiana law, the rates and charges of most sewer utilities are not regulated at the state level. Utilities in this category include municipal wastewater utilities, regional sewer districts and wastewater utilities operated by conservancy districts. Accountability for those utilities' rates and charges resides entirely at the local level.

However, a number of investor-owned and not-for-profit sewer utilities are under Indiana Utility Regulatory Commission (IURC) jurisdiction. When those utilities seek IURC permission to increase their rates and charges (or to expand their service territories), the Indiana Office of Utility Consumer Counselor (OUCC) participates in the IURC cases on behalf of consumer interests. (Indiana law allows investor-owned wastewater utilities with fewer than 300 customers to withdraw from IURC jurisdiction, as well as not-for-profit sewer utilities.)

Whether rate jurisdiction is at the state or local level, wastewater utilities are legally entitled to fair rates of return on their investments. They must also ensure that their facilities and treatment processes comply with federal and state environmental standards. In an IURC rate proceeding, the utility has the legal burden to prove that its proposed rates and charges are justified and necessary.

Treatment and compliance

Federal and state regulations require wastewater utilities to treat water before returning it to the environment so it is not contaminated. While specific treatment processes may vary by utility, the process may involve up to five basic steps:

- **Preliminary treatment**: Debris and trash are removed from the wastewater. The water may run through screens and flow into a grit tank that allows sand and heavy particles to settle and then be removed.
- **Primary treatment**: Sedimentation tanks hold the wastewater for a few hours. This allows grease, oil and other particles that were not removed during preliminary treatment to either sink or float, and then be removed.
- **Secondary treatment**: Wastewater travels into concrete or steel basins where bacteriological processes eliminate more wastes.

- **Advanced treatment**: Some facilities use filtration after earlier stages of treatment. They may also use other processes to remove nitrogen, phosphorous and other elements so the water is less likely to produce algae or other plant growth.
- **Disinfection**: This is the portion of the process where bacteria are destroyed. Chlorine is normally used to kill the bacteria (though some treatment plants may use ultraviolet light instead).

After the water has been treated, it is ready for discharge into creeks, rivers, streams or lakes. While the water is now no longer harmful to the environment and may be the cleanest part of the stream, it is not at drinkable quality either. The water utility must still put the water through a different treatment process before providing it to homes and businesses for drinking and other uses.

Environmental regulation

Wastewater utilities must maintain their infrastructure (including treatment plants and sanitary sewer mains) in a manner that provides safe, reliable service and complies with (or exceeds) federal and state environmental requirements. Most notably, the U.S. Environmental Protection Agency (EPA) has implemented rules and procedures under the federal Clean Water Act that wastewater utilities must follow.

Systems with combined sewer overflows (CSOs) are among those that may be most likely to need infrastructure upgrades and subsequent rate increases in the next several years. Combined systems are those that collect rainwater, residential wastewater and industrial wastewater in the same pipes, and are designed to overflow or discharge waste into streams and other bodies of water during periods of heavy rain or snowmelt. This discharge of waste is a result of the sewer system's capacity being exceeded. 105 Indiana communities have CSOs, which were commonly built in the 19th Century and early part of the 20th Century.

Projects to ensure compliance with environmental regulations are generally considered valid utility costs that may be recovered through rates as a cost of doing business.

Other factors

While many municipally owned wastewater utilities charge lower rates than investor-owned and not-for-profit utilities, it is important to note that municipal utilities have access to federal and state grants that can be used to pay for utility projects, along with access to low interest loans that are only available to governmental and not-for profit entities. (The RCAP and USDA links on the next page offer more information.)

Stormwater costs, when applicable, may be assessed and collected separately from sewer utility costs.

Flat billing vs. Metered billing

Some wastewater utilities bill customers on a metered or volumetric basis, depending on the amount of water the customer has used. Others charge flat, monthly rates. Consumers frequently ask why those utilities can do so.

- With most sewer utilities, most costs – including the costs of wastewater collection and treatment – do not vary appreciably over time. Any costs that might vary would likely be minimal and would balance out over time. In most cases involving metered wastewater rates, a large portion of the bill is set at a consistent, flat amount.

- If a customer receives water and sewer utility service from different providers and the sewer utility wants to charge based on volume, then the sewer utility must generally purchase metered usage data from the water utility, leading to higher administrative costs that are passed on to customers.

Additional resources:

- Indiana Utility Regulatory Commission (IURC) sewer bill analysis (for bill comparisons among regulated sewer utilities):
www.in.gov/iurc/water-sewer/docs/bc_sewer_2006.pdf
- Indiana Department of Environmental Management (IDEM) fact sheet on Combined Sewer Overflows (CSOs):
www.in.gov/idem/who/media/factsheets/cso.html
- IDEM Wastewater Permits Page:
www.in.gov/idem/permits/water/wastewater/index.html
- U.S. Environmental Protection Agency (EPA) Wastewater Information Page:
www.epa.gov/ebtpages/watewastewater.html
- U.S. Department of Agriculture Water and Environmental Programs:
www.usda.gov/rus/water/index.htm
- Rural Community Assistance Partnership Revolving Loan Fund:
www.rcap.org/index.php?id=80

The Indiana Office of Utility Consumer Counselor (OUCC) is the state agency that represents utility consumer interests before state and federal regulatory bodies. To learn more, visit www.IN.gov/OUCC.